



AGRI UPDATE

GlobalDairyTrade auction results.



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Broad-based rebound in prices at GDT auction

- Dairy prices recovered by 2.8% in today’s auction.
- Price increases were broad-based – whole milk powder (up 3.4%) and cheddar (up 4.1%) did especially well.
- The rebound in whole milk powder prices reduces some of the modest downside risk to our \$7.90 current season milk payout.
- Demand picked up from Chinese and Middle Eastern buyers who were less present last auction.
- European buyers picked up the largest proportion of product since 2021.
- We take a look at agricultural productivity trends and note that multifactor productivity is especially strong compared to other sectors of the economy but has slowed in the last 25 years.

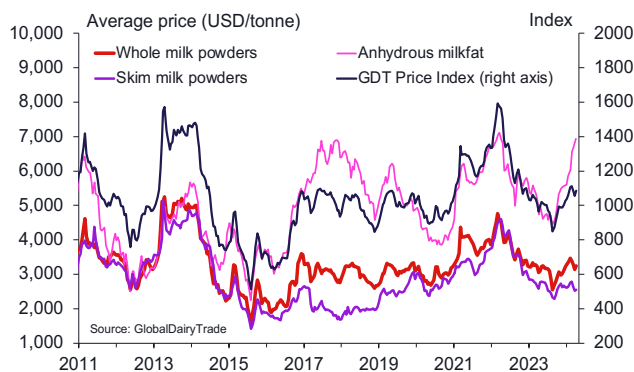
GlobalDairyTrade auction results

	Change since last auction	Prices USD/tonne
Whole Milk Powder (WMP)	3.4%	\$3,246
Skim Milk Powder (SMP)	1.4%	\$2,550
Anhydrous Milk Fat (AMF)	2.3%	\$6,934
Butter	3.1%	\$6,592
Cheddar	4.1%	\$4,340
GDT Price Index	2.8%	1084

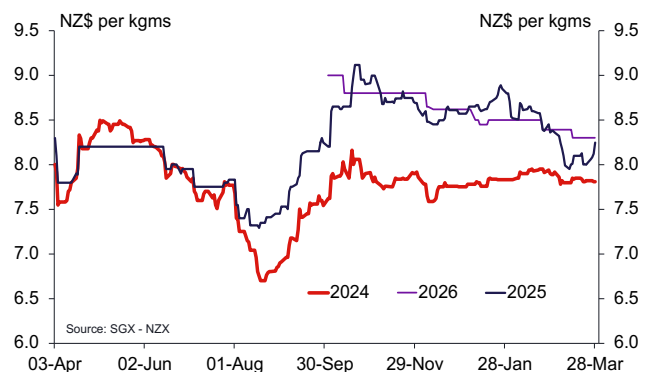
Auction Results, 3 April 2024.

Dairy prices rebounded from their weak showing at the previous auction. Overall prices rose 2.8% and the key whole milk powder (WMP) prices rose 3.4%. Most products posted price rises.

GlobalDairyTrade auction prices

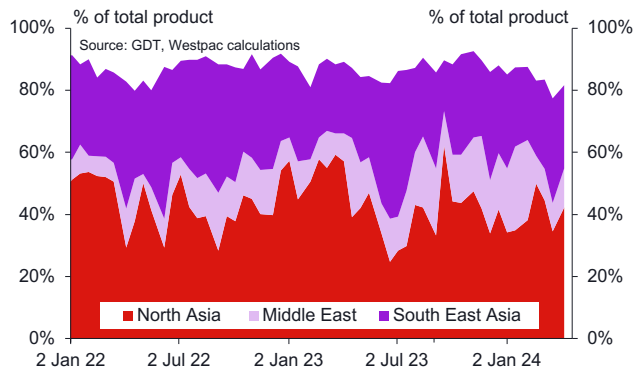


Futures prices – SGX Milk Prices

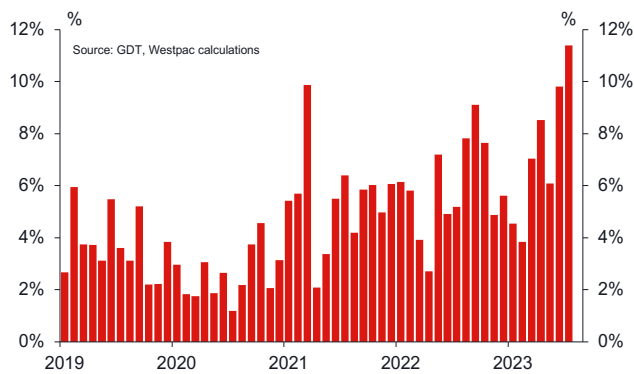


Chinese buyers returned to buy as did Middle Eastern buyers. Interestingly, European buyers picked up the greatest proportion of product since 2021, continuing a trend of greater support at the auctions – perhaps reflecting declining production at home. Overall prices remain around long-term averages, but of course on-farm costs have increased significantly over this time.

Proportion of total volumes sold – top 3 regions



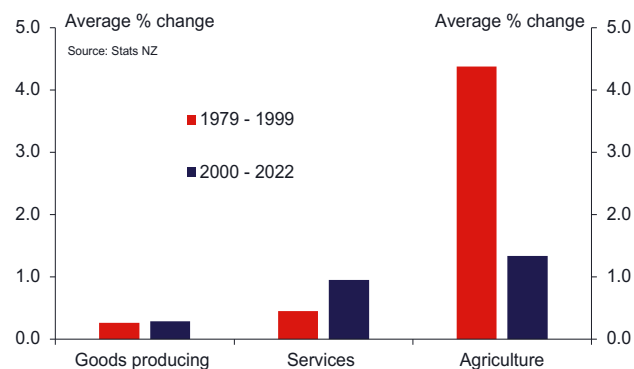
Percent sold to european buyers



A look at productivity trends in the agricultural sector.

The fortunes of the dairy farming and broader agricultural sector remain key to New Zealand’s economic prosperity. Much of that though depends on the ability of individual farmers to minimise their unit production costs by maximising output for a given level of inputs. That in turn leads to improved profitability and better returns to the factors of production as well as higher standards of living and wellbeing for farmers themselves.

Growth in multifactor productivity within agriculture



On this front, New Zealand’s farmers have a strong record. Deregulation and the removal of subsidies back in the mid-1980s were the catalysts for increased mechanisation, R&D and innovation within the sector,

resulting in productivity gains that other sectors of the economy could only dream of. That wheel though has turned, with increases in on farm productivity having slowed since the turn of the century. The challenge now facing the agricultural sector is how to regain its productivity mojo. That is less about adopting new digital technologies, and more about how agricultural production processes need to change to best leverage them. Smart farming looms large in this regard.

Farmgate milk price forecasts

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

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