Fonterra increases 2021/22 forecast Farmgate Milk Price

Fonterra Co-operative Group Limited today increased and narrowed its forecast Farmgate Milk Price range to NZD $7.90 - $8.90 per kgMS, from NZD $7.25 - $8.75 per kgMS.

The midpoint of the range, which farmers are paid off, has increased to NZD $8.40 per kgMS, from NZD $8.00 per kgMS.

Fonterra CEO Miles Hurrell says the lift in the 2021/22 forecast Farmgate Milk Price range is a result of continued demand for New Zealand dairy relative to supply.

“At a $8.40 midpoint, this would equal the highest Farmgate Milk Price paid by the Co-op, and would see almost $13 billion flow into regional New Zealand through milk price payments this season.

“We have seen demand from China ease over the past couple of months, while other regions have stepped in to keep demand firm. On the supply side, overall global milk supply growth is forecast to track below average levels, driven by a slowdown in US production due to the increased cost of feed.

“These supply and demand dynamics are supporting the current pricing levels, and a higher contract rate has given us the ability to narrow the forecast range.

“While the increase in milk price can put pressure on our input costs, we remain comfortable with our current 2021/22 earnings guidance range of 25-40 cents per share.”

Mr Hurrell says it’s still early in the season, a lot can change, and there can be increased volatility when prices are high.

“This is why we’re maintaining a plus or minus 50 cents forecast range, reflecting the continued uncertainties at this point in the season.

“There are a number of factors we are keeping a close eye on that could impact demand. This includes the continued impact on global markets from COVID-19, growing inflation pressures, volatility in exchange rates, New Zealand weather conditions, and the potential impact of any geopolitical issues.”

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