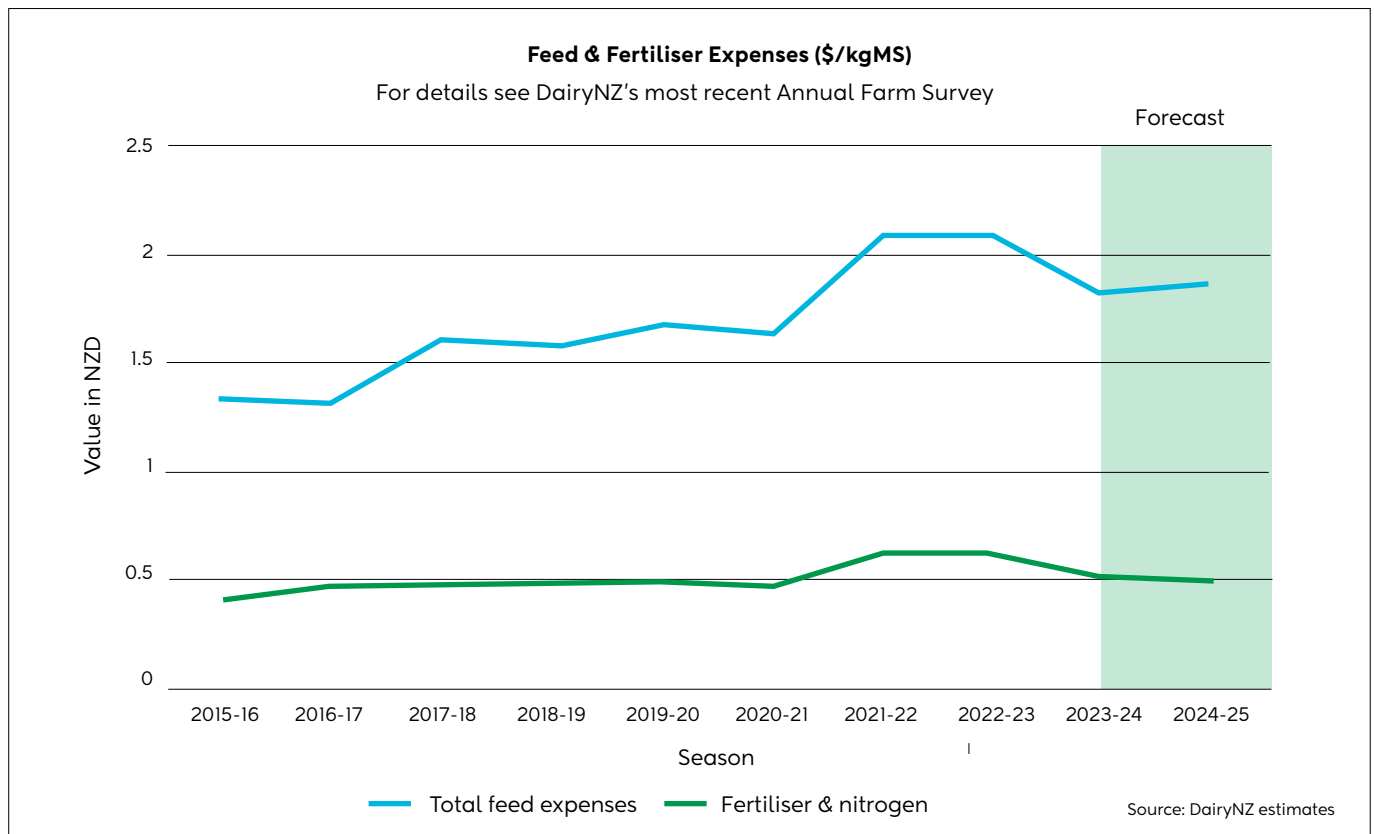


New season forecasting

26 March 2024

Improved revenue projections and significant price decreases for feed and fertiliser are among several factors that indicate a marginally improved outlook for New Zealand's dairy sector this 2023/24 season.

A key development in the 2023/24 forecast sees a drop-off in feed and fertiliser expenses continuing. There has been a significant price change for these two items, and they have now eased back closer to a historical average.



Revenue projections

Revenue projections for this season have also improved on the back of improved results at the global dairy auction and Fonterra's adjusted projected payout for the season. Overall, the 2023/24 season looks to be significantly brighter than was projected, even six months ago, with average operating profit predicted to be \$2.46 per kgMS and breakeven milk price (BEMP) at \$7.75 per kgMS. However, the costs of servicing debt have become a main point of concern for many farmers due to higher interest rates and effective borrowing costs.

Looking ahead to the 2024/25 season, we see a marginal tightening of dairy farmer's financial position. DairyNZ is forecasting the size of the herd to continue to drop, and production to remain stable, indicating increased productivity per cow. Both revenue and working expenses are forecasted to ease, largely but not completely off-setting each other. Interest cost will continue to remain a significant cost pressure for farmers in the 2024/25 season, while average operating profit is predicted to be \$2.05 per kgMS and BEMP at \$7.76 per kgMS.

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